

**ASSOCIATION FOR RETARDED
CITIZENS/OUACHITA**

**Financial Statements
As of and for the Years Ended
June 30, 2012 and 2011**

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Financial Statements As of and for the Years Ended June 30, 2012 and 2011

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LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
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INDEPENDENT AUDITORS' REPORT

**The Board of Directors
Association for Retarded Citizens/Ouachita
Monroe, Louisiana**

We have audited the accompanying statements of financial position of the **Association for Retarded Citizens/Ouachita** (a not-for-profit organization - the Association) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of and for the years ended June 30, 2012 and 2011, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and do not provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The information included as "Other Supplementary Data" in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial

statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Shuffey, Huffman, Reynolds, & Seigrist

(A Professional Accounting Corporation)

December 13, 2012

FINANCIAL STATEMENTS

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Statements of Financial Position

	June 30, 2012		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Assets			
Cash	\$ 309,090	\$ -	\$ 309,090
Accounts receivable			
Intergovernmental	438,239	-	438,239
Services	84,021	-	84,021
Contributions and grants	5,000	-	5,000
United Way	-	184,679	184,679
Other	38,760	-	38,760
Land, building and equipment	916,562	124,436	1,040,998
Accumulated depreciation	(448,571)	(111,312)	(559,883)
Prepaid expenses	4,673	-	4,673
Other deposits	1,043	-	1,043
	<u>1,348,817</u>	<u>197,803</u>	<u>1,546,620</u>
Total assets	\$ <u>1,348,817</u>	\$ <u>197,803</u>	\$ <u>1,546,620</u>
Liabilities and net assets			
Liabilities			
Accounts payable	\$ 68,186	\$ -	\$ 68,186
Accrued payroll and taxes	124,406	-	124,406
Notes payable	289,203	-	289,203
Total liabilities	<u>481,795</u>	<u>-</u>	<u>481,795</u>
Net Assets			
Unrestricted	867,022	-	867,022
Temporarily restricted	-	197,803	197,803
Total net assets	<u>867,022</u>	<u>197,803</u>	<u>1,064,825</u>
Total liabilities and net assets	\$ <u>1,348,817</u>	\$ <u>197,803</u>	\$ <u>1,546,620</u>

The accompanying notes are an integral part of these statements.

June 30, 2011		
Unrestricted	Temporarily Restricted	Total
\$ 612,460	\$ -	\$ 612,460
192,230	-	192,230
31,432	-	31,432
3,000	-	3,000
-	156,080	156,080
22,416	-	22,416
585,314	171,274	756,588
(456,157)	(127,015)	(583,172)
3,183	-	3,183
5,135	-	5,135
<u>\$ 999,013</u>	<u>\$ 200,339</u>	<u>\$ 1,199,352</u>

\$ 62,595	\$ -	\$ 62,595
89,922	-	89,922
-	-	-
<u>152,517</u>	<u>-</u>	<u>152,517</u>
846,496	-	846,496
-	200,339	200,339
<u>846,496</u>	<u>200,339</u>	<u>1,046,835</u>
<u>\$ 999,013</u>	<u>\$ 200,339</u>	<u>\$ 1,199,352</u>

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Statements of Activities For the Years Ended

	June 30, 2012		
	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Intergovernmental	\$ 3,089,320	\$ -	\$ 3,089,320
Charges for services	281,472	-	281,472
Contributions and grants	208,533	-	208,533
United Way allocation	-	191,816	191,816
Membership dues	69,850	-	69,850
Contributions and net revenue from Special events			
Contributions	309,678	-	309,678
Costs of direct benefits to donors	(102,283)	-	(102,283)
Other revenues	3,931	-	3,931
Total	<u>3,860,501</u>	<u>191,816</u>	<u>4,052,317</u>
Net assets released from restrictions	<u>194,352</u>	<u>(194,352)</u>	<u>-</u>
Total support and revenue	4,054,853	(2,536)	4,052,317
Expenses			
Program services			
Supported employment	676,314	-	676,314
Supported work contracts	271,569	-	271,569
Supported living	1,763,008	-	1,763,008
Community home			
Mallard Home	245,051	-	245,051
Early Intervention	321,748	-	321,748
Total program services	<u>3,277,690</u>	<u>-</u>	<u>3,277,690</u>
Supporting services			
Management and general	466,074	-	466,074
Fundraising	290,563	-	290,563
Total supporting services	<u>756,637</u>	<u>-</u>	<u>756,637</u>
Total expenses	<u>4,034,327</u>	<u>-</u>	<u>4,034,327</u>
Increase (decrease) in net assets	20,526	(2,536)	17,990
Net assets at beginning of year	<u>846,496</u>	<u>200,339</u>	<u>1,046,835</u>
Net assets at end of year	<u>\$ 867,022</u>	<u>\$ 197,803</u>	<u>\$ 1,064,825</u>

The accompanying notes are an integral part of these statements.

June 30, 2011

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 2,851,423	\$ -	\$ 2,851,423
269,045	-	269,045
238,269	-	238,269
-	167,460	167,460
77,828	-	77,828
280,233	-	280,233
(118,589)	-	(118,589)
14,195	-	14,195
3,612,404	167,460	3,779,864
279,221	(279,221)	-
3,891,625	(111,761)	3,779,864
635,958	-	635,958
249,362	-	249,362
1,659,290	-	1,659,290
192,146	-	192,146
319,254	-	319,254
3,056,010	-	3,056,010
468,041	-	468,041
209,338	-	209,338
677,379	-	677,379
3,733,389	-	3,733,389
158,236	(111,761)	46,475
688,260	312,100	1,000,360
\$ 846,496	\$ 200,339	\$ 1,046,835

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Statement of Functional Expenses For the Year Ended June 30, 2012

Program Services

	Supported Employment	Supported Work Contracts	Supported Living	Mallard Home	Early Intervention
Salaries	\$ 466,567	\$ 118,039	\$ 1,403,369	\$ 119,132	\$ 179,115
Payroll taxes	37,622	-	112,032	9,506	13,028
Pension	2,493	-	10,546	1,316	4,376
Total salaries and related expenses	506,682	118,039	1,525,947	129,954	196,519
Dues and subscriptions	1,548	644	3,261	353	1,080
Food	5,911	275	1,030	12,140	1,706
Insurance	31,779	21,234	78,868	10,343	15,113
Licenses and inspections	849	95	3,032	931	61
Maintenance	27,681	23,140	6,061	3,805	3,878
Medical	1,580	1,192	7,893	13,387	70
Miscellaneous	3,103	4,792	3,346	25,152	729
Office supplies and postage	2,826	997	4,578	1,181	1,639
Professional fees	62	-	11,722	6,305	23,230
Public awareness	695	5,602	575	74	225
Rent	12,929	29,200	12,906	1,865	51,832
Supplies	2,699	8,287	1,724	6,301	898
Telephone	7,647	4,002	5,098	1,128	3,215
Training	4,566	237	7,362	21,877	1,703
Transportation	28,973	26,489	2,239	2,943	1,358
Travel	8,177	11	69,953	242	11,146
Utilities	9,110	15,024	9,201	6,883	745
Total	656,817	264,907	1,754,796	244,864	315,147
Depreciation of buildings and equipment	19,497	6,662	8,212	187	6,601
Total functional expenses	\$ 676,314	\$ 271,569	\$ 1,763,008	\$ 245,051	\$ 321,748

The accompanying notes are an integral part of these statements.

Supporting Services

Total Program Services	Management and General	Fund Raising	Total Supporting Services	Total Expenses
\$ 2,286,222	\$ 224,839	\$ 87,231	\$ 312,071	\$ 2,598,294
172,188	17,344	6,999	24,344	196,531
18,731	8,511	1,645	10,154	28,885
2,477,141	250,694	95,875	346,569	2,823,710
6,886	2,877	816	3,692	10,578
21,062	912	14,848	15,759	36,821
157,337	16,823	6,897	23,721	181,058
4,968	317	94	411	5,379
64,565	28,400	824	29,224	93,789
24,122	739	71	810	24,932
37,122	8,359	45,455	53,816	90,938
11,221	6,601	4,972	11,572	22,794
41,319	85,767	926	86,693	128,012
7,171	11,565	7,813	19,377	26,548
108,732	16,715	93,478	110,192	218,925
19,909	2,110	596	2,707	22,616
21,090	2,457	866	3,323	24,413
35,745	5,878	105	5,983	41,728
62,002	-	-	-	62,002
89,529	797	13,470	14,267	103,795
40,963	9,307	2,593	11,899	52,860
3,236,531	450,316	289,699	740,014	3,976,545
41,159	15,758	864	16,623	57,782
\$ 3,277,690	\$ 466,074	\$ 290,563	\$ 756,637	\$ 4,034,327

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Statement of Functional Expenses For the Year Ended June 30, 2011

Program Services

	Supported Employment	Supported Work Contracts	Supported Living	Mallard Home	Early Intervention
Salaries	\$ 434,084	\$ 109,101	\$ 1,311,212	\$ 79,617	\$ 185,583
Payroll taxes	34,884	189	101,341	6,350	13,493
Pension	3,438	-	10,111	372	4,697
Total salaries and related expenses	472,406	109,290	1,422,664	86,339	203,773
Dues and subscriptions	1,476	509	2,982	291	1,126
Food	2,448	960	1,179	8,289	1,185
Insurance	21,905	17,728	78,811	9,206	14,846
Licenses and inspections	1,041	703	2,932	1,068	50
Maintenance	18,731	18,483	10,067	10,297	1,066
Medical	2,401	871	5,974	9,698	30
Miscellaneous	5,981	2,826	2,106	16,907	217
Office supplies and postage	2,090	135	4,938	377	1,271
Professional fees	-	-	12,013	3,720	16,034
Public awareness	1,029	7,674	1,461	51	75
Rent	13,785	31,200	16,723	635	52,912
Supplies	2,435	23,697	1,708	9,217	1,106
Telephone	8,264	3,992	5,196	1,243	3,193
Training	5,387	58	8,652	17,182	4,090
Transportation	30,998	14,248	1,450	2,768	980
Travel	7,662	7	69,959	938	10,024
Utilities	10,092	15,981	8,924	6,673	724
Total	608,131	248,362	1,657,739	184,899	312,702
Depreciation of buildings and equipment	27,827	1,000	1,551	7,247	6,552
Total functional expenses	\$ 635,958	\$ 249,362	\$ 1,659,290	\$ 192,146	\$ 319,254

The accompanying notes are an integral part of these statements.

Supporting Services

<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
\$ 2,119,597	\$ 221,441	\$ 65,841	\$ 287,282	\$ 2,406,879
156,257	16,957	5,234	22,191	178,448
18,618	7,546	781	8,327	26,945
2,294,472	245,944	71,856	317,800	2,612,272
6,384	1,268	804	2,072	8,456
14,061	172	5,010	5,182	19,243
142,496	12,153	4,582	16,735	159,231
5,794	548	214	762	6,556
58,644	21,432	2,329	23,761	82,405
18,974	869	107	976	19,950
28,037	31,396	13,741	45,137	73,174
8,811	4,526	4,638	9,164	17,975
31,767	103,629	798	104,427	136,194
10,290	3,663	3,269	6,932	17,222
115,255	18,994	90,597	109,591	224,846
38,163	993	447	1,440	39,603
21,888	2,445	922	3,367	25,255
35,369	3,507	55	3,562	38,931
50,444	-	-	-	50,444
88,590	1,538	8,402	9,940	98,530
42,394	8,568	1,567	10,135	52,529
3,011,833	461,645	209,338	670,983	3,682,816
44,177	6,396	-	6,396	50,573
<u>\$ 3,056,010</u>	<u>\$ 468,041</u>	<u>\$ 209,338</u>	<u>\$ 677,379</u>	<u>\$ 3,733,389</u>

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Statements of Cash Flows

	For the Years Ended June 30,	
	2012	2011
Cash Flows From Operating Activities		
Increase in Net Assets	\$ 17,994	\$ 46,476
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Depreciation	57,782	50,573
Non-cash contributions of assets	-	(31,817)
Gain on sale of assets	(3,195)	(3,869)
Changes in assets and liabilities		
Accounts receivable	(345,541)	(61,076)
Other assets	2,602	281
Accounts payable and accrued expenses	40,071	13,404
Total Adjustments	(248,281)	(32,504)
Net cash provided (used) by operating activities	(230,287)	13,972
Cash Flows From Investing Activities		
Purchases of certificates of deposit	-	-
Purchases of fixed assets	(377,561)	(22,641)
Retirements of investments	-	249,065
Proceeds from sales of assets	15,275	11,346
Net cash provided (used) by investing activities	(362,286)	237,770
Cash Flows From Financing Activities		
Payments on notes payable	(10,797)	-
Borrowings on notes payable	300,000	-
Net cash provided by financing activities	289,203	-
Net Increase (Decrease) in Cash	(303,370)	251,742
Cash at Beginning of Year	612,460	360,718
Cash at End of Year	\$ 309,090	\$ 612,460
Supplemental Disclosures		
Cash paid for interest	\$ 5,647	\$ -
Non-Cash Investing & Operating Activities:		
Revenue and expense of non-cash contribution	\$ 102,146	\$ 144,416
Capital acquired in part by non-cash contribution	\$ -	\$ 31,817

The accompanying notes are an integral part of these statements.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
Notes To The Financial Statements
For the Years Ended June 30, 2012 and 2011

Note 1 - Description of Organization

The Association for Retarded Citizens/Ouachita (the Association) dba ARCO was established in 1954 to promote the general welfare of all persons with developmental disabilities within its service area which generally includes the Northeast portion of Louisiana. The programs are designed to assist and train clients to become independent citizens within the Association's service area. The principal programs consist of vocational training, residential living and early intervention.

Note 2 - Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements have been prepared on an accrual basis and in conformity with Generally Accepted Accounting Principles (GAAP). The financial statements of the Association are presented as recommended by the Financial Accounting Standards Board in ASC 958-205, *Not For Profit Entities-Presentation of Financial Statements*. Under ASC 958-205, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2012 and 2011, the Association had no permanently restricted net assets.

B. Contributions-Cash

In accordance with ASC 658-605, *Not For Profit Entities-Revenue Recognition*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under ASC 658-605, such contributions are required to be reported as temporarily restricted support and then reclassified to unrestricted net assets upon satisfaction of the related restrictions.

C. Contributions-NonCash

Members, agencies, business firms, volunteers and others contribute substantial services toward the fulfillment of projects initiated by the Association. In addition, substantial goods are donated to the Association's store. No amounts have been recognized in the Statement of Activities for these contributions because the criteria for recognition under ASC 658-605 have not been satisfied. Other non-cash contributions of goods and services including rent have been recognized in the financial statements.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
Notes To The Financial Statements
For the Years Ended June 30, 2012 and 2011

D. Allocation and Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases. The Association records its expenses in several ways: direct, indirect and central office overhead (COO). Direct costs are the total costs of direct support where staff is paid for only that program. Indirect costs are of two types. Level I indirect costs are salary expenses of an employee whose activities are shared between more than one program in the same department. Level II indirect costs are salary expenses shared between more than one department. COO expenses represent the Supporting Services costs.

E. Programs

The Association's principal programs and primary funding sources are:

Supported Employment – This income is derived primarily from the Louisiana Department of Health and Hospitals through two Medicaid Waivers, the NOW and the Supports Waiver. These funds are used to train clients in vocational and prevocational activities and supportive services. Also, some income is derived from the Department of Social Services, Office of Louisiana Rehabilitative Services. This program specifically provides vocational training support to clients placed in jobs within the community. Supported Employment also includes Day Habilitation which provides meaningful non-work day activities to men and women and is funded by Medicaid's NOW and Supports Waivers as well.

Supported Work Contracts - Supported Work Contract's income is derived from cleaning and document destruction services by clients and the operations of the Sassy Kats clothing store.

Supported Living - Supported Living's primary income is derived from the Louisiana Department of Health and Hospitals Medicaid NOW Waiver. This home and community based program helps the individual clients become more independent by providing support and training in their personal residences within the community. State funds for those without Medicaid Waivers are provided by the Office for Citizens with Developmental Disabilities, and some individuals are private pay.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
Notes To The Financial Statements
For the Years Ended June 30, 2012 and 2011

Mallard Home – Mallard Home's income is derived from the Louisiana Department of Health and Hospitals Intermediate Care Facility for the Developmentally Disabled (ICF/DD) Medicaid Program. Clients pay a pro-rata share of the costs based on their income. This program provides clients with a home environment within the community and helps them become more independent citizens. Typically, clients in Mallard Home are trained also in the Supported Employment program.

Early Intervention - Early Intervention's income is derived from the Louisiana Department of Health and Hospitals, United Way, grants, non-profit agencies, and charges for therapeutic services (private insurance). This program provides training and therapeutic services to disabled infants, ages 0-3 years. Additionally, ARCO serves a few children over the age of 3 years through private health insurance or private pay.

F. Land, Buildings and Equipment

Land, buildings and equipment are stated at cost. All donated capital assets are recorded at fair market value on the date of the donation. The Association capitalizes all property value at \$1,000 or more and an estimated useful life of one year or more. Depreciation is computed on a straight-line basis over the useful lives of the assets using the following estimated lives:

	<u>Years</u>
Buildings	15 - 30
Furniture and Equipment	3 - 10
Vehicles	5

G. Compensated Absences

The Association's vacation policy provides for the carryover of vacation to the subsequent year but that carryover is limited to a ceiling not to exceed 15 days. Therefore, the financial statements do not include an accrual for the year ended June 30, 2012. Sick days may be accumulated to a maximum of 10 days; however, employees are not paid for any unused sick days upon termination and therefore an accrual for sick leave is not reflected in the financial statements.

H. Tax-Exempt Status

The Association is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for Federal income taxes. Contributions to the Association are tax deductible within the limitations prescribed by the Code.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
Notes To The Financial Statements
For the Years Ended June 30, 2012 and 2011

I. Cash and Cash Equivalents and Investments

For purposes of the Statement of Cash Flows, the Association considers demand deposits, time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents.

J. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Land, Building and Equipment

Land, Building and Equipment consisted of the following:

	June 30,	
	2012	2011
Buildings and Improvements	\$ 440,374	\$ 196,465
Furniture and Equipment	200,360	177,315
Vehicles	302,126	344,670
Land	98,138	38,138
Less: Accumulated Depreciation	(559,883)	(583,172)
Net Land, Building and Equipment	\$ <u>481,115</u>	\$ <u>173,416</u>

Included in vehicles above are four vehicles that cost a total of \$124,436 that were acquired through Federal grants along with 20% matching funds from the Association. The Association retains the use of those vehicles as long as they are kept, maintained and used for the Association's designated purpose. Those vehicles are not to be sold or disposed of either during their useful lives (5 years or 100,000 miles) without the state's permission; therefore, these vehicles less the related accumulated depreciation of \$111,312 are shown as temporarily restricted.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
Notes To The Financial Statements
For the Years Ended June 30, 2012 and 2011

Note 4 - Notes Payable

In January 2012, the Association borrowed \$300,000 for the purchase and modification of a building for Shred operations. The loan bears interest at 5.25% and is payable in 44 monthly installments of \$2,034 and a balloon payment of approximately \$267,000 in January 2016. The loan is secured by real estate. The amortization for this debt is as follows:

Year Ended June 30,	Annual Payments
2013	\$ 24,413
2014	24,413
2015	24,413
2016	267,129
Total	\$ 340,367

A letter of credit in the amount of \$100,000 was issued by Capital One Bank. It is secured by all funds on deposit with them and provides a variable simple interest rate to be adjusted monthly to one percent (1%) over the Wall Street Journal prime rate. There was no outstanding debt on this line of credit at June 30, 2012. The line of credit is subject to annual renewal in December of each year.

Note 5 - Temporarily Restricted Net Assets

The following summarizes net assets that are temporarily restricted

	June 30,	
	2012	2011
Accounts Receivable - United Way (Note 2-B)	\$ 184,679	\$ 156,080
Vehicles - DOTD	124,436	171,274
Less: Accumulated Depreciation	(111,312)	(127,015)
Total	\$ 197,803	\$ 200,339

Note 6 - Disclosures About Concentrations

The Association's contracts are primarily with government agencies; therefore, a majority of its revenue and accounts receivable are derived from those sources.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
Notes To The Financial Statements
For the Years Ended June 30, 2012 and 2011

Note 7 - Operating Leases

Total rent expense for the year was \$218,925. The Association has several lease commitments. However, these leases are either on a month-to-month basis or contain "funding-out" clauses which allow the agreements to be cancelled.

Note 8 - Commitments and Contingencies

The Association receives the majority of its revenue based on contracts with various Federal and state agencies. These contracts are subject to review by the respective agencies which could result in disallowed costs. Additionally, funding levels are subject to review on a periodic basis by the grantor agencies, which could result in changes in funding levels.

Note 9 - Related Party Transactions

The building purchased for Shred operations was sold to the Association by a Board Member. However, the amount paid was reasonable per an independent appraisal and the Board Member abstained from voting on whether to purchase the building.

Note 10 - Tax Deferred Annuity Plan

The Association offers its employees a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Association. The Association will match up to 3% of gross salaries of qualified employees who elect to participate in the plan. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Association contributed \$28,885 on behalf of the participants for the year ended June 30, 2012.

Note 11 - Subsequent Events

Management has evaluated subsequent events through December 13, 2012, the date which the financial statements were available to be issued.

OTHER SUPPLEMENTARY DATA

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Combining Schedule of Financial Position

June 30, 2012

Schedule 1

	<u>General Fund</u>	<u>Supported Employment</u>	<u>Supported Work Contracts</u>	<u>Supported Living</u>
Assets				
Cash	\$ 308,710	\$ -	\$ 200	\$ -
Accounts receivable	-	-	-	-
Services	9,968	605	35,734	13,866
Contributions	5,000	-	-	-
United Way	-	-	-	-
Other	21,669	14,701	(430)	2,820
Due from other funds	686,302	-	-	-
Land, building and equipment	310,958	93,432	430,265	60,790
Accumulated depreciation	(208,679)	(51,748)	(117,099)	(50,142)
Prepaid expenses	4,673	-	-	-
Other deposits	-	-	1,043	-
Total Assets	\$ 1,138,601	\$ 126,995	\$ 349,713	\$ 288,913
Liabilities and net assets				
Liabilities				
Accounts payable	\$ 40,918	\$ 2,603	\$ 5,895	\$ 6,296
Due to other funds	-	109,147	50,494	223,350
Accrued payroll and taxes	32,858	15,245	4,121	59,267
Notes payable	-	-	289,203	-
Total liabilities	73,776	126,995	349,713	288,913
Net Assets				
Unrestricted	1,064,825	-	-	-
Temporarily restricted	-	-	-	-
Total net assets	1,064,825	-	-	-
Total liabilities and net assets	\$ 1,138,601	\$ 126,995	\$ 349,713	\$ 288,913

<u>Mallard Home</u>	<u>Early Intervention</u>	<u>Total All Funds</u>
\$ 180	\$ -	\$ 309,090
-	-	-
21,224	2,624	84,021
-	-	5,000
-	184,679	184,679
-	-	38,760
-	-	686,302
111,402	34,150	1,040,997
(101,790)	(30,425)	(559,883)
-	-	4,673
-	-	1,043
<u>\$ 132,482</u>	<u>\$ 196,218</u>	<u>\$ 2,232,922</u>

\$ 9,418	\$ 3,057	\$ 68,187
118,233	185,078	686,302
4,831	8,083	124,406
-	-	289,203
<u>132,482</u>	<u>196,218</u>	<u>1,168,098</u>
-	-	1,064,825
-	-	-
<u>-</u>	<u>-</u>	<u>1,064,825</u>
<u>\$ 132,482</u>	<u>\$ 196,218</u>	<u>\$ 2,232,922</u>

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Combining Schedule of Activities For the Year Ended June 30, 2012 With Comparative Totals for the Year Ended June 30, 2011

Schedule 2

	<u>General Fund</u>	<u>Supported Employment</u>	<u>Supportive Work Contracts</u>	<u>Supported Living</u>
Support and Revenue				
Intergovernmental	\$ -	\$ 618,989	\$ -	\$ 2,104,919
Charges For Services	-	25,667	202,297	25,553
Contributions and Grants	170,533	-	-	-
United Way Allocation	-	-	-	-
Membership Dues	69,850	-	-	-
Contributions and Net Revenues from Special Events				
Contributions	309,678	-	-	-
Costs of Direct Benefit to Donors	(102,283)	-	-	-
Other Revenues	443	2,660	434	350
Total support and revenue	<u>448,221</u>	<u>647,316</u>	<u>202,731</u>	<u>2,130,822</u>
Expenses				
Depreciation and Amortization	999	22,841	6,662	18,343
Dues and Subscriptions	1,880	1,929	644	4,447
Food	15,616	5,941	275	1,123
Insurance	7,882	35,171	21,234	89,121
Interest	-	-	5,647	-
Licenses and Inspections	255	883	95	3,132
Maintenance	1,886	33,514	23,140	23,883
Medical	357	1,673	1,192	8,188
Miscellaneous	48,906	4,143	4,792	6,547
Office Supplies and Postage	5,564	4,115	997	8,474
Payroll Taxes	7,585	41,206	-	122,888
Pension	1,926	4,244	-	15,878
Professional Fees	3,831	17,685	-	65,383
Public Awareness	11,969	2,293	5,602	5,303
Rent	94,043	16,387	29,200	23,361
Salaries	94,828	513,049	118,039	1,544,050
Supplies	1,651	2,925	8,287	2,406
Telephone	949	8,156	4,002	6,635
Training	2,389	5,347	237	9,672
Transportation	-	28,973	26,489	2,239
Travel	13,496	8,340	11	70,453
Utilities	2,906	11,034	15,024	15,015
Total Expenses	<u>318,918</u>	<u>769,849</u>	<u>271,569</u>	<u>2,046,541</u>
Excess (Deficiency) of Revenues Over Expenses	129,303	(122,533)	(68,838)	84,281

Mallard Home	Early Intervention	Total June 30,	
		2012	2011
\$ 267,809	\$ 97,603	\$ 3,089,320	\$ 2,851,423
20,395	7,561	281,473	269,045
-	38,000	208,533	238,269
-	191,816	191,816	167,460
-	-	69,850	77,828
-	-	309,678	280,233
-	-	(102,283)	(118,589)
-	43	3,930	14,195
288,204	335,023	4,052,317	3,779,864

1,040	7,896	57,781	50,573
451	1,228	10,579	8,456
12,148	1,719	36,822	19,243
11,208	16,442	181,058	159,231
-	-	5,647	-
940	75	5,380	6,556
5,275	6,092	93,790	82,405
13,414	107	24,931	19,950
25,419	1,131	90,938	73,174
1,507	2,137	22,794	17,975
10,423	14,429	196,531	178,448
1,766	5,072	28,886	26,945
10,827	30,286	128,012	136,194
480	902	26,549	17,222
2,747	53,187	218,925	224,846
131,008	197,319	2,598,293	2,406,879
6,359	987	22,615	39,603
1,257	3,413	24,412	25,255
22,071	2,012	41,728	38,931
2,943	1,358	62,002	50,444
284	11,211	103,795	98,530
7,375	1,505	52,859	52,529
268,942	358,508	4,034,327	3,733,389

19,262	(23,485)	17,990	46,475
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(Continued)

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Combining Schedule of Activities (Concluded) For the Year Ended June 30, 2012 With Comparative Totals for the Year Ended June 30, 2011

Schedule 2

	<u>General Fund</u>	<u>Supported Employment</u>	<u>Supportive Work Contracts</u>	<u>Supported/ Independent Living</u>
Other financing sources (uses)				
Operating Transfers In	-	122,533	68,838	-
Operating Transfers (Out)	(111,313)	-	-	(84,281)
Total Other Financing Sources (Uses)	(111,313)	122,533	68,838	(84,281)
Increase (Decrease) in Net Assets	17,990	-	-	-
Net Assets at Beginning of Year	1,046,835	-	-	-
Net Assets at End of Year	\$ 1,064,825	\$ -	\$ -	\$ -

The following central office overhead expenses (COO) have to be reclassified from the various funds above and put in supporting services in order to reconcile to the presentation in the Statement of Activities.

	<u>Total Fund Expenses</u>	<u>COO Expenses</u>	<u>Statement of Activities</u>
Program services			
Supported employment	\$ 769,849	\$ (93,537)	\$ 676,312
Supported work contracts	271,569	-	271,569
Supported living	2,046,541	(283,531)	1,763,010
Community home			
Mallard Home	268,942	(23,890)	245,052
Early Intervention	358,508	(36,761)	321,747
Total program services	\$ 2,839,971	\$ (437,719)	\$ 3,277,690
Supporting services			
General Fund	318,918	437,719	756,637
Total supporting services	\$ 318,918	\$ 437,719	\$ 756,637

Mallard Home	Early Intervention	Total June 30,	
		2012	2011
-	23,485	214,856	175,192
(19,262)	-	(214,856)	(175,192)
(19,262)	23,485	-	-
-	-	17,990	46,475
-	-	1,046,835	1,000,360
\$ -	\$ -	\$ 1,064,825	\$ 1,046,835

SUPPLEMENTARY INFORMATION

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA (1963-2002)
Francis I. Huffman, CPA
Philip A. Ragsdale, CPA
David Ray Soignier, CPA, MBA

John Herman, CPA
Lynn Andries, CPA
Esther Atteberry, CPA
Lori Woodard, MBA, CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Association for Retarded Citizens / Ouachita
Monroe, Louisiana

We have audited the financial statements of the **Association for Retarded Citizens/Ouachita** (the Association) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**The Board of Directors
Association for Retarded Citizens/Ouachita**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management of the Association, awarding agencies and pass-through entities, other entities granting funds to the Association and the Legislative Auditor for the state of Louisiana and is not intended to be used and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Steffens, Huffman, Reynolds & Squires

(A Professional Accounting Corporation)

December 13, 2012

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Summary Status of Prior Year Findings For the Year Ended June 30, 2012

The following is a summary of the status of prior year findings and management letter comments included in the Luffey, Huffman, Ragsdale & Soignier (APAC) audit report dated November 30, 2011 in connection with the audit of the financial statements of the Association of Retarded Citizens / Ouachita for the year ended June 30, 2011.

Management Letter Finding

Recommendation

It was recommended that management update the existing documentation of internal control and expand their documentation of the internal control over financial reporting as might be required using the COSO framework or such other framework as might prove useful in order that they may more easily discharge their responsibility to design and implement controls and monitor those controls for effectiveness over time.

Status

Management has researched the COSO framework, understands the requirements and has assessed internal controls for effectiveness and documentation. Policies and procedures have been updated where appropriate for changes in personnel, technology and circumstances. Internal controls will continue to be assessed for effectiveness and design and will be updated when needed.